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IN THE

Supreme Court of the United States

JANUARY TERM 1965

No. 790

NATIONAL FLEXITIZED CORPORATION and DUBIN-HASKELL LINING CORP.,

Petitioners,

against

FLEXITIZED, INC. and FLEXITIZED SALES CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR RESPONDENTS IN OPPOSITION

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Preliminary Statement

After an eight day trial before a jury and trial court, a judgment was entered in the United States District Court for the Southern District of New York on the 26th day of March, 1963 which a) awarded respondents a recovery of $27,000 damages on the first cause of action, plus costs and interest for a total recovery of $36,321.58; b) declared invalid respondent's registered trademark "Flexitized", and c) permanently enjoined and restrained petitioners only from using the word "Flexitized" in its corporate name and in connection with the sale of collar stays similar to those manufactured and distributed by respondents.

Petitioners appealed from that part of the judgment which was adverse to them. Respondents appealed from that part of the judgment which declared the registered trademark "Flexitized" invalid, and from the refusal of the trial court to assess or order an accounting of respondents' damages caused by petitioners' unfair competition.

The appeals came on to be heard in the United States Court of Appeals for the Second Circuit on April 15, 1964 which resulted in a judgment in that court, entered on August 3, 1964, which affirmed the judgment below except insofar as it denied the respondents an opportunity for an accounting to ascertain further damages due on the claim of unfair competition. Thereafter, and on November 12, 1964, on motion of petitioners, the Court of Appeals recalled its mandate and directed that it be reissued on January 4, 1965 unless on or before that date petitioners filed a petition for a writ of certiorari with this Court. The accounting proceeding to assess damages on the unfair competition third cause of action, which was referred to a special master by the District Court subsequent to the Court of Appeals' mandate of August 3, 1964, has been held in abeyance and no order or judgment has been issued thereon determining the question of damages due respondents on the claim for unfair competition under the third cause of action.

Questions Presented

On page 2 of the petition for certiorari, there has been set forth a statement of questions purportedly representing issues in the instant case. However, the facts and the law fail completely to support this view, as will be hereinafter discussed.

The only holding in this case was that the state law of unfair competition is applied in a case brought in the Federal Court on pendent jurisdiction and also

diversity of citizenship. Respondents respectfully submit that there is no conflict on this point among the various Circuits. There is no issue, as petitioners contend, as to whether the District Court has jurisdiction over a claim for unfair competition where neither pendent jurisdiction nor diversity of citizenship exists.

Statement of the Case

Because of the inaccuracies and misstatements contained in the petitioner's statement of the case, and due to its being patently incomplete, it is necessary to set forth here the facts which were developed at the trial and which were found by the jury and which the District Court in its opinion stated were fully supported by the record, and which the Court of Appeals reviewed and reaffirmed the complete and adequate basis therefor. Reference is respectfully made to the recitation of the established facts as set forth in the lower court's and the Court of Appeals' opinion. It is significant to note in this regard that petitioners' brief in the Court of Appeals at page 3 stated that petitioners' agreed with the facts as stated in the opinion of the lower court (Pet. Append., B).

The complaint contains three causes of action; the first seeks money damages by reason of petitioners' breach of a contract under which respondents appointed them for a five year period as their exclusive distributors of collar stays in most of the United States, with the exception of the ten western states; the second cause of action is brought under the Lanham Act (15 U. S. C. 1051, *et seq.*) for infringement of respondents' registered trademark and name "Flexitized"; and a third cause of action seeks an injunction and damages by reason of petitioners' acts of unfair competition in continuing to use respondents' name and trademark "Flexitized" both in their corporate title and in connection with the sale of a collar stay similar to re-

spondents', and in connection with advertising, marketing and distribution of such stays, all after petitioners willfully breached the exclusive distributorship contract with respondents.

In early 1953, the principals of the Aalpha Dye Cutting & Manufacturing Company of California which was a partnership engaged in the collar linings and interlinings business, developed an idea for a new type collar stay which could be molded and shaped to the particular taste and preference of the ultimate user of a shirt or blouse (R.A. 42). Although there were collar stays then on the market, none were of this type (R.A. 35-36).

The name "Flexitized" was adopted and used by respondents as a trade name and mark for the new collar stays from mid-1953 (R.A. 45). For the purpose of manufacturing and selling the "Flexitized" stays, respondent, Flexitized Inc., and its selling company, respondent, Flexitized Sales Corporation, were incorporated under the laws of the State of California in September, 1953 (R.A. 37). The name "Flexitized" is an artificial term coined and created after much thought, research and counseling, and is a name not found in any dictionary and is not descriptive of the principal use or property of the collar stay (R.A. 45).

In the fall of 1953, respondents initiated a publicity campaign to promote the use and acceptance of the "Flexitized" collar stay. Mr. Louis Graver, one of the officers of respondents' corporation and also a principal of Aalpha Dye Cutting & Manufacturing Company of California, promoted the new product at trade shows and demonstrations on the west coast. The fame of the newly developed collar stay spread in the industry and traveled across the United States quickly, and when Mr. Graver came to New York he was highly successful in obtaining an enthusiastic response and acceptance for the "Flexitized" collar stays from the garment and shirt industries. He was deluged

with orders, inquiries about distributorships and for further information (R.A. 47-57; 310).

Dubin-Haskell Lining Corp. and its affiliate, Dubin-Haskell, Inc., both of New York, which were then well known in the shirt interlining business, but which had not previously manufactured or distributed any type collar stays, became extremely interested in the "Flexitized" stays. Discussions and negotiations were had and an official of petitioners called upon Mr. Graver in California to discuss a sales representation arrangement (R.A. 58, 308-309). As a result, an understanding was reached in December of 1953, whereby respondents appointed petitioner, Dubin-Haskell Lining Corp. and its affiliate company to be formed, *viz.* petitioner, National Flexitized Corporation, their exclusive distributors for an initial five year period ending December, 1958 in the entire United States with the exception of the ten western states, which latter territory was well known and familiar to Aalpha Dye Cutting & Manufacturing Company of California, and which latter territory would be serviced by Aalpha's established selling organization.

As partial evidence of this agreement, there was an exchange of letters dated December 4, 1953 and December 8, 1953, marked Pet. App. G and H respectively. As part of the understanding, petitioner, Dubin-Haskel Lining Corp., set up an affiliate corporation, petitioner, National Flexitized Corporation, and for the purposes of the arrangement being entered into, respondents acceded to petitioners' request and consented to their use of the name and trademark "Flexitized" for the term of the agreement as part of the corporate title of the new company. Respondents' counsel wrote to petitioners following up on this point in the letter of December 17, 1953 which was not answered. A follow-up letter dated February 3, 1954 was then sent and finally resulted in petitioners' letter of February 10, 1954 (see Resp. Append. A, B, C; R.A. 112,

383-384). The agreement provided for a volume of business of $100,000 per year, and petitioners agreed that they would not have the right to sell a competing product for the life of the contract, and would advertise the "Flexitized" stay in their territory. The principals intended that the agreement would be formalized by their attorneys, but this was never accomplished (R.A. 10-11; Resp. Append. A, B and C). The relationship was a harmonious one during the years 1954 and 1955 and part of 1956, in each of which years the volume of business exceeded the sum of $100,000 each year. Upon due application made in May, 1954, the trademark "Flexitized" was registered by the United States Patent Office on February 1, 1955 in the name of Flexitized, Inc. with the full knowledge of petitioners and, in fact, with their urging, as is witnessed by the letter of February 10, 1954 (Res. Append. C) from Haskell. Prior thereto, respondents had applied for a patent on the "Flexitized" stay, however, the pending application was subsequently voluntarily withdrawn and no claims to patent rights were ever made in this litigation.

During this time, the parties worked closely with each other by telephone and mail in connection with the marketing and advertising of the "Flexitized" stay, including exchange of various advertising and promotional materials originated and paid for by respondents, and exchange of promotional ideas for greater distribution and sales. Respondents' product was used in the men's shirt industry, in women's blouses, in uniforms, and was also marketed over the retail counter in a removable model which could be inserted from one shirt to another. Newspaper, magazine and trade media advertising was used to put across to the consuming public the desirability of a collar using the "Flexitized" stays. Hang tags describing the use of the stays in both words and pictures were affixed to garments containing the stays. Consumer familiarity was developed as found by the jury (Quest. No. 13, Pet. Append. K. p. 73). See also letter of February 10, 1954 signed by Jacobson (Resp. Append. D).

In the latter part of 1956, respondents noticed that shipments to petitioners decreased considerably (R.A. 165-166, 243-244, 934-939). Petitioners obviously at that time desired to end their relationship and contract with respondents in order to seek greater profits, and in late 1956, the volume of business was nominal. In addition, petitioners refused to handle and distribute a competitive collar stay made out of synthetic material manufactured by Dupont, called Mylar which had come on the market, and which supplemented the range of stays available (R. 149, 137-148, 238-242, 312, 313, 400, 403). Respondents also learned that petitioners, despite their unequivocal written agreement not to sell a competitive product, directly or indirectly, were secretly selling and distributing throughout the trade in the entire United States a collar stay similar to the "Flexitized" stay but not made and sold by respondents (R.A. 553, 559-560); and were using the trade name and trademark "Flexitized" in connection therewith; and were continuing to use the same invoices, as well as promotional material and advertising originated and paid for by respondents containing the name and mark "Flexitized" (R.A. 149-163-219, 357, 359, 366-369).

As a result of the various breaches of the agreement by petitioners, respondents in July of 1957 were forced to discontinue their relationship with petitioners, and gave notice of termination. Eagle Neckband Corporation of New York was thereupon engaged to act as the distributor of the "Flexitized" stays on the east coast in place of petitioners (R.A. 391, 401, 402) and public notice of such change was given in the trade papers, Daily News Record and Women's Wear Daily (R.A. 198, 391, 401; Exhs. 36, 37A, 37B).

Respondents made demand on petitioners to discontinue the use of the name and mark "Flexitized" both in their corporate title and also in connection with the sale, distribution, and advertising of collar stays similar to those made by

respondents. Petitioners refused and continued thereafter and to this day, to manufacture, sell and distribute collar stays similar to those made by respondents, still using the name and mark "Flexitized" in the corporate title, and in connection with the sale and distribution of the product, and still using identical advertising and other promotional material created and paid for over the years by respondents (R.A. 910-919).

ARGUMENT

POINT I

There is no question of fact or law referable to the first cause of action warranting a review of the judgment by this Court.

The judgment of the lower court relating to the first cause of action for breach of contract presents no issue, either of fact or of law, which should warrant this Court granting a review. Petitioners are, in effect, attempting to ask this Court to find that the jury incorrectly determined issues of fact; however, the lower court specifically found that the record fully supported the jury verdict and, in addition, the Court of Appeals after an independent review of the entire record, unanimously found that there was adequate evidence to sustain the jury findings and the judgment. The voluminous record contains ample proof of damages as the jury found and as was found by the trial court and as was found by a unanimous Court of Appeals. The Court of Appeals stated in its decision as follows:

> "Examination of the record convinces us that there was ample evidence to support the verdict both on the issue of liability and on the issue of damages to which the defendants have directed their principal efforts on appeal."

Petitioners on page 19 of the petition for a writ set forth an extract from the trial court's remarks on the argument of a motion at the close of the trial and, in effect, represent that this related to the question of damages on the first cause of action for breach of contract, however, this is a blatant inaccuracy since the quoted remarks specifically and unequivocally refer only to the third cause of action for additional damages beyond the contract period by reason of petitioners' unfair competition. The remarks had no reference whatever to the question of damages for breach of contract on the first cause of action: (See R.A. 779 topline and last four lines at bottom.) Yet, petitioners wish this Court to believe that the remarks referred to the question of damages on the first cause of action. This is only one example of misstatements and inaccuracies in this entire case by petitioners who, during the trial and on the appeal, sought by every means to becloud and confuse the true issues and otherwise obstruct and delay a rightful recovery by respondents.

The voluminous record contains ample proof of damages as both the courts below and the jury found. There is proof of the amount of respondents' sales for the period from January 1, 1954 to August, 1957, the month of termination, and from August, 1957 to December, 1958, the end of the five-year contract period (R.A. 244-246). There is also extensive testimony in the record obtained in pretrial depositions of the dollar amount of petitioners' sales and purchases of collar stays during the same five-year period (R.A. 934-939), which included sales by petitioners of approximately $400,000 for the period from August, 1957 to December, 1958 (R.A. 649, 934-939), whereas for the same period respondents' sales totalled less than the sum of $30,000 (R.A. 177-178). There is also proof that for the period of August, 1957 to December, 1958 petitioners bought $192,000 worth of stays from sources other than respondents (R.A. 417-418). Further, there is proof of the rate of profit made by each of the respondents (Exhs.

27a, 27b). There is also the uncontroverted testimony of a senior partner of the firm of C.P.A.'s which regularly audited the books and records of each respondent who testified at length without objection from petitioners (R.A. 410-455), and in fact, with petitioners conceding his qualifications (R.A. 411).

The record also shows that all the original books and records of each respondent, including sales journal, accounts receivable ledger, and cash disbursement book were produced in court and admitted into evidence as respondents' exhibits 49a-49b (R.A. 262), with no objection being made. Respondents' accountant testified that he examined these original books and records, and made a study of the figures of each (R.A. 412). Full and intensive cross-examination was held. Full inspection and independent analysis of respondents' books and records was available.

As a further point of refutation, it would seem inconsistent for petitioners to challenge the competency of exhibits 27a and 27b, when not only were they admitted into evidence without objection from petitioners' counsel (R.A. 416) but petitioners themselves introduced into evidence a duplicate copy of the accountants' report which partially formed a basis of respondents' Exhibits 27a and 27b (R.A. 441, Defs' Exh. "S").

As the courts below found and stated in their opinion, there was evidence in the record from which the jury could conclude that respondents would have made a profit of about $39,000 but for the breach of agreement by petitioners (R.A. 418), and accordingly, there is no valid basis for assignment of error to the jury's award of $27,000.

MONOPOLY

Petitioners suggest that this Court should review the lower court's judgment insofar as it pertains to the first cause of action, for the reason that the agreement is in violation of Section 340, Sub-division I, of the General

Business Law of the State of New York. Significantly, petitioners do not now urge, as they did in the courts below, that Section 3 of the Clayton Act (Sec. 14 of Title 15 USC) applies. Nevertheless, no proof has been offered to support this groundless argument, and the record is totally void of any such proof. Petitioners have failed to cite one case in point, or any authority for contending that the provision of the agreement, "Dubin-Haskell would not have the right to sell a competing product, directly or indirectly, for life of contract," ("for life of contract" having been added at the request of petitioners R.A. 384), is within the purview of the statute.

The courts have frequently held that an agreement not to handle a competitive product is not, in itself, invalid, and can only be invalid if it comes within the test laid down by the statute. The mere selection of competent, successful and exclusive representatives in the orderly course of development of business can give no just causes for complaint, and when standing along certainly affords no ground for condemnation under the statute. *Fed. Trade Commission* v. *Curtis Publishing Co.*, 260 U. S. 568, 43, S. Ct. 210; *U. S.* v. *Standard Oil Co. of California*, 78 F. Supp. 850. In a particularly applicable reference to the state of facts in the instant case, it has been held that a licensor of a trademark not only is justified in imposing restrictions on the licensee but indeed, is obligated to do so in order to make his license a valid one.

Susser v. *Carvel*, 206 F. Supp. 336; *Arthur Murray, Inc.* v. *Horst*, 110 F. Supp. 678; *Coca Cola Bottling Co.* v. *The Cola-Cola Co.*, 269 Fed. 796; *Bascom Launder Corp.* v. *Telecon Corp.*, 204 F. 2d 331; *Revlon Products Corp.* v. *Bernstein*, 119 N. Y. S. 2d 60; *E. R. Squibb & Sons* v. *Ira J. Shapiro*, 64 N. Y. S. 2d 368. In *Alexander's Department Stores, Inc.* v. *Ohrbach, Inc.*, 42 N. Y. S. 2d 703, 266 A. D. 535, App. Dism'd 291 N. Y. 707, the Court said:

> "A manufacturer has the right to pick his own customers, and refuse to sell to a particular customer

> provided that such refusal is not the result of a combination with others to destroy competition so far as the whole product of important manufacturers is concerned."

Both from the factual point of view and on the law, the pertinent part of the agreement, on its face, is clearly not within the prohibition of the statute and cannot by any reasonable interpretation be considered to establish a monopoly or constitute an unlawful restraint of trade. Having in mind the undisputed facts that petitioners were never in the collar stay business and had never manufactured or distributed or handled a collar stay before they became associated with respondents, and that the only reason and way that they got into the collar stay business in the first instance was by virtue of their exclusive, contractual relationship with respondents, there could be no stifling of competition or unlawful restriction of trade. In addition, there were other manufacturers of various type collar stays in the business before and after 1953, and there were, in fact, attempts at copying the "Flexitized" stay. Even petitioners went into the business of manufacturing and distributing the "Flexitized" stay as early as September, 1956, during the time that they were still supposed to be respondents' exclusive distributor.

POINT II

No real conflict exists between Circuits in applying state law to claims for unfair competition which are in the Federal Court by reason of pendent jurisdiction and diversity of citizenship.

A. As to the applicability of state law to the claim for unfair competition.

In *Maternally Yours, Inc.* v. *Your Maternity Shop Inc.*, 234 F. 2d 538, 540-541, 110 USPQ 462, 463-464 (2 Cir. 1956), the Court of Appeals for the Second Circuit fol-

lowed the reasoning of *American Auto Ass'n* v. *Spiegel,* 205 F. 2d 771, 98 USPQ 1 (2 Cir.) cert. den'd 346 U. S. 887, 74 S. Ct. 138, 99 USPQ 490 (1953); and *Artype Inc.* v. *Zappulla,* 228 F. 2d 695, 108 USPQ 51 (2 Cir. 1956), holding that state law governed an unfair competition claim when joined with a federal claim where diversity of citizenship existed. It was noted there that the source of the right sued upon rather than the ground used to obtain federal jurisdiction should determine the governing law.

This prevailing view is not contradicted by the Ninth Circuit Court of Appeals, and the cases cited by petitioners in support of their claim of such a conflict, are not applicable to the instant case, for they deal primarily with a question of the jurisdiction of the federal court to determine a particular type claim for unfair competition, and in some cases cited there was neither diversity of citizenship, nor was there a joinder with a substantially related federal claim. Petitioners have endeavored to inject these various Ninth Circuit cases to fit into the framework of the purported issue sought to be reviewed before this Court, and in some instances, besides the citation given by petitioners being erroneous, some of the cases clearly do not stand for the proposition for which cited.

For instance, the Ninth Circuit has consistently held that where diversity of citizenship exists, state law is correctly applied to the unfair competition claim. The case of *Kemart Corp.* v. *Printing Arts Research Laboratories, Inc.* (9 CA, 1959), 269 F. 2d 375, contrary to petitioners' representation, actually was a diversity of citizenship case where the Ninth Circuit applied local law, regardless of whether the claim for unfair competition was appended to a claim arising under the patent laws or stood alone in the complaint. See *Bliss* v. *Gotham Industries, Inc.* (9 Cir. 1963), 316 F. 2d 848 where it was said:

> "What Judge Bone wanted to be understood by the above quotation was that Kemart being a diversity

> case, local law would apply regardless of whether the claim for unfair competition was "appended by virtue of 28 U. S. C. A. 1338 (b) to its claim arising under the patent laws" or stood alone in the complaint."

Further, the case of *Neal* v. *Thomas Organ Co.* (9 Cir. 1963) 325 F. 2d 978, does not support petitioners' argument of a conflict in the Circuits, because the *Neal* case admittedly did not involve diversity of citizenship but rather pendent jurisdiction as joined with a copyright claim.

There also is threaded through the Ninth Circuit cases, where claims of unfair competition were held not to be subject to state law, the similarity of either lack of diversity of citizenship or the classic type unfair competition, or mis-description, misrepresentation or false marking of merchandise moving in interstate commerce, all of which is clearly distinguishable from the admitted acts of unfair competition which took place in the instant case. The instant type unfair competition is not, therefore, the same type unfair competition found in some of the Ninth Circuit cases where Federal Court juisdiction was bottomed on the interstate commerce clause and held to come within the purview of the Lanham Act.

> "As observed by appellant, the Lanham Act does not provide a right of action for trade-mark infringement generally; it leaves to the state courts, administering the state laws, and to the diversity cases, those cases for common law trade-mark infringement that do not arise out of deceptive and misleading use of such marks in interstate and foreign commerce. But it does provide a right of action to persons engaged in interstate and foreign commerce, against deceptive and misleading use of common law trademarks, and against deceptive and misleading use of words, names, symbols, or devices, or any combination thereof, which have been adopted by a manufacturer or merchant to identify his goods and distinguish them from those manufactured by others, where such misleading use is carried on, in the chan-

> nels of interstate and foreign commerce, which is subject to regulation by Congress." *Fed-Mogul-Bower-Bearings Inc.* vs. *Azoff* (6 Cir. 1963) 313 F. 2d 405, Rev'g 201 F. Supp. 788.

It is further erroneously contended by petitioners that the Eighth Circuit followed the Ninth Circuit in the case of *Iowa Farmers Union* v. *Farmers' Educational & Cooperative Union*, 247 Fed. 2d 809 (8 Cir. 1957). In that case, the Court stated at page 819:

> "Our holding in this case that the District Court had jurisdiction of the case under the Lanham Act and Title 28 United States Code, § 1338 (a) and (b) is based upon the fact that the unfair competition engaged in by the defendants as rightly found by the District Court, was substantially related to the proven infringement by defendants of the plaintiff's trademarks, which were duly registered under the Lanham Act.
>
> Our decision is in accord with those of the Second, Third and Fifth Circuits in American Auto Association v. Spiegel (2 Cir.), 205 F. 2d 771; L'Aiglon-Apparel v. Lana, Lobell, Inc. (3 Cir.), 214 F. 2d 649 and Royal Lace Paper Works, Inc. v. Pest-Guard Products, Inc. (5 Cir.), 240 F. 2d 814.

The Sixth Circuit case of *Fed.-Mogul-Bower Bearings Inc.* v. *Azoff*, *supra*, and the quotation therefrom appearing on page 11 of the petition is further out of context with the facts in the instant case, in that the quoted provision deals with a complaint charging false description or misrepresentation of merchandise shipped in interstate commerce. Hence, there would appear to be no real conflict among the Circuits on the holding in the instant case with respect to the application of the state law where there is pendent jurisdiction and also diversity of citizenship.

Nor would it appear that under the documented facts in the instant case, where there was obviously an unconscionable fraud and deception practiced upon respondents, involving a willful breach of a close, exclusive contractual

relationship where confidence and trust and dependence was involved, that the application of any so-called federal law would produce any different result. To suggest so would imply that the law would result in a denial of injunctive relief against these two petitioners, and permit this wrong to go without remedy in the courts, which would clearly be an inequitable result. There is no legislative background to the Lanham Act or decisions resulting therefrom which would support a theory that the actions of these two petitioners should not be subject to judicial redress.

The third cause of action for unfair competition resulted in the injunction against these petitioners alone, and there is no applicability to others not connected with petitioners. Hence, the injunction does not purport to achieve a result prohibited by the federal law of trademark regulation through the application of a state law of unfair competition.

The holding of the Court in the case of *Sears Roebuck & Co.* v. *Stiffel Co.*, 84 S. Ct. 784, 140 USPQ 524 (1964) was limited to patent and copyright cases precisely because federal legislation has fully encompassed all remedies in those fields, and federal legislation on such subjects is exclusive of and exhaustive of any other remedies. This Court expressly excluded the area of such protection to trademarks and unfair competition. Therefore, it is not necessary or, indeed, meaningful for this Court to reconsider a matter on which it has already expressed an opinion.

B. The New York State Law was properly applied.

The jury and the trial court found, as did the Court of Appeals, that under the New York law of unfair competition, petitioners wrongfully continued to use the word "Flexitized" after they had breached their agreement with respondents, both in their corporate title and in their sale and distribution of collar stays not manufactured by respondents. Petitioners were capitalizing on the name

and reputation of respondents and their product which as the jury found had purchaser familiarity before petitioners began handling the stays (Pet. Append. K Quest. 13, 14). Such unfair competition on the part of one who had such a prior close relationship with respondents, constituted a misappropriation of the results of respondents' skill, expenditures, and labors. It constituted a misappropriation of a property right or a commercial advantage.

In *Dior* v. *Milton*, 9 Misc. 2d 425, 155 NYS 2d 443, 110 USPQ 563, it was stated in the course of an excellent discussion of the New York law of unfair competition that:

> "With the passing of those simple and halcyon days, when the chief business practice was 'palming off, and with the development of more complex business relationships and, unfortunately, malpractices, many courts, including the courts of this state, extended the doctrine of unfair competition beyond the cases of 'palming off.' The extension resulted in the granting of relief in cases where there was no fraud on the public, but only a misappropriation for the commercial advantage of a benefit or 'property right' belonging to another." Id., p. 452, 110 USPQ at 566.

The trial court also observed in its opinion (Pet. Append. B p. 52):

> "A similar view, with respect to different fact situations, is manifested in other cases as well. Electrolux Corp. v. Val-Worth, Inc., 6 N. Y. 2d 566, 567-568, 161 N. E. 2d 197 N. Y. S. 2d 977, 123 USPQ 175 (1959); Playland Holding Corp. v. Playland Center, Inc., 1 N. Y. 2d 300, 135 N. E. 2d 202, 152 N. Y. S. 2d 462, 110 USPQ 68 (1956); Vaudable v. Montmartre, Inc., 20 Misc. 2d 757, 193 N. Y. S. 2d 332, 335, 123 USPQ 357, 358 (S. Ct., N. Y. Co., (1959) Greenberg, J.) ('A wrongful attempt to suggest an association or connection of some sort is sufficient to warrant relief to prevent confusion in the public mind as well as dilution of plaintiffs' trade name); Pharmaceuticals, Inc. v. United Whe-

lan Corp., 22 Misc. 2d 532, 197 N. Y. S. 2d 22, 24, 123 USPQ 565 (S. Ct., N. Y. Co., 1959).

This view, since it is grounded upon a theory of tortious misappropriation, places great emphasis upon, if it does not make a requirement of, wrongful intent:

'Equity will, therefore, enjoin as unfair competition the adoption or use of a trade name, trademark or advertising of another, where the apparent purpose is to reap where one has not sown, or to gather where one has not planted, or to build upon, or profit from, the name, reputation, good will or work of another * * *.'' Harvey Machine Co. v. Harvey Aluminum Corp., 9 Misc. 2d 1078, 175 N. Y. S. 2d 288, at p. 291, 113 USPQ 437, 438 (S. Ct., N. Y. Co., 1957). See, also, Mainzer, Inc. v. Gruberth, 237 App. Div. 89, 93, 260 N. Y. S. 694 (1st Dept. 1932), aff'd 262 N. Y. 484, 188 N. E. 30 (1933); vaudable v. Mont-Martre, Inc., supra, at p. 335, 123 USPQ at 358.' ''

The finding of unfair competition on the third cause of action is well established under the facts and the law as determined by the jury, the trial court, and the Court of Appeals.

CONCLUSION

For all of the foregoing reasons and those contained in the Trial Court opinion and the Court of Appeals opinion, the petition for a writ of certiorari should be denied.

Respectfully submitted,

HAHN, HESSEN, MARGOLIS & RYAN,
Attorneys for Respondents.
Office and Post Office Address,
350 Fifth Avenue,
New York, N. Y. 10001.

ROBERT J. CLERKIN,
of Counsel.

APPENDIX

Respondents' Appendix A

(PLAINTIFFS' EXHIBIT 8)

AIR MAIL

December 17, 1953

Dubin-Haskell-Jacobson, Inc.
326 Broadway
New York 7, New York

Dear Sirs:

Attention: Mr. Herbert Haskell

Lou Graver of Flexitized Sales Corporation has turned over to me your letter of December 8, 1953.

I am presently in the process of drawing a proposed agreement following generally along the lines outlined in your correspondence with Mr. Graver. He informs me that you intend to form a corporation which will incorporate the name "Flexitized". I would like to know something about the manner in which the corporation is to be set up, including capitalization and stock ownership. I have suggested to Mr. Graver that the use of the name "Flexitized" in the proposed corporation be conditioned upon the faithful performance of the proposed agreement and that the corporation would agree to change its name in the event it no longer handled Flexitized Stays.

If either you or your attorneys have any suggestions regarding the proposed agreement, I would greatly appreciate your transmitting them to me.

Yours very truly,

JESSE BLATTEL.

JB:rr

Respondents' Appendix B

(PLAINTIFFS' EXHIBIT 9)

AIR MAIL

February 3, 1954.

Dubin-Haskell-Jacobson, Inc.
326 Broadway
New York 7, New York

Dear Sirs:

Attention: Mr. Herbert Haskell

I have not received any reply to my letter of December 17, 1953, and in view of the fact that Mr. Louis Graver has inquired concerning the progress being made in this matter, I would greatly appreciate a response to my letter.

Mr. Graver has also called to my attention that you desire to have certain information concerning the patent pending application and the trademark. If you will let me know what information you desire, I will be glad to furnish it to you. Presently application is being made for a United States trademark. If you feel that registered trademarks should be acquired in other countries, kindly furnish a list of the foreign countries where you would desire to register the mark and I will then take the matter up with our patent counsel.

Yours very truly,

JESSE BLATTEL.

JB:rr
(blind copy to Louis Graver)

Respondents' Appendix C

(PLAINTIFFS' EXHIBIT 10)

FLEXITIZED PATENT PENDING

NATIONAL FLEXITIZED CORPORATION
Division of Dubin Haskell Lining Corp.
FLEXITIZED COLLAR STAY
326 Broadway, New York 7, N. Y.

AIR MAIL February 10, 1954 TELEPHONE WOrth 4-0090

Jesse Blattel
360 North Bedford Drive
Beverly Hills, California

Dear Sir:

I sincerely regret not answering your letter of Dec. 17th before but somehow because of the great amount of problems and detail involved in the Flexitized Stay, I mislaid this letter. I would appreciate if you would forward be a copy of same so that I may immediately respond to it.

In reference to the information we need on the patent pending application and the trade mark, our representative in Cuba advised us that in order to apply for this patent in Cuba, we would need the following; certification of your application for this patent in the Dept. of Commerce of the U. S. Our Cuban representative advised us that attached to this certification would be photostatic copies of all information regarding this patent and that the certification and the photostatic copies could be used exactly as are to apply for the Cuban patent.

He mentioned something which is not quite clear to me and that is that if the application has not been presented

for one year we would have the priority in Cuba, if it has been presented for more than one year, we would have to forget about an application and make an application in Cuba of something that is of similar invention. He mentioned in his letter that this would not exactly be legal, but with his connection in the Commerce Dept., would cover us on this product.

I think registering the name Flexitized and also applying for a patent in not only Cuba, but in other foreign markets is a most important consideration. As you know, outside of this country they have a great deal more respect for patents than the companies in the U. S., and usually on any patented item in any country, each and every manufacturer and purchaser of that patent or product would never dare infringe.

I await the above information from you and any additional suggestions that you may have on the handling of this matter. Thanking you, I am.

Very truly yours,

NATIONAL FLEXITIZED CORP.
Herbert Haskell
HERBERT HASKELL

HH:ef

Respondents' Appendix D

(PLAINTIFFS' EXHIBIT 20)

February 10, 1954.

Mr. Michael Hersh
Perfect Neckband Co.
137 Spring Street
New York, N. Y.

Dear Mac:

In regard to the Flexitized Collar Stay you are selling through us, as you probably know, we are operating as a distributor of this product for Flexitized Sales Corporation, Los Angeles, California. These are the people who have a patent pending on this collar stay.

Because we are convinced that this is a good collar stay and the idea behind it a good one, and the interest of the industry is substantial, and there is a need for this type of collar stay, we have undertaken the job of presenting this stay to the industry with the ensuing necessary detail work involved.

We are planning a national advertising program for Flexitized Stays. This is intended to make this product better known to a broad range of retailers, department stores, and consumers. With this work, we do expect to keep Flexitized Stays before the public and prolong the interest and enthusiasm for Flexitized collars. As you will appreciate, this involves a broad undertaking of wide magnitude and at considerable expense.

We want it to be known that because of our own genuine interest in this product, it is our plan to participate and assist in the defense of the patent right of the Flexitized Sales Corporation's product. We mention this to you as we are with the other firms who are working with us so they can have the confidence of knowing that the effort

they are going to in the distribution and selling of this Flexitized Stay will have the added necessary support and protection in any patent right defense in connection with this stay. We do not think this is going to be a one-season gimmick. We believe the industry has a positive need for this kind of stay and we will continue in our efforts to improve the quality of this stay, and it is our hope and plan that it will continue to be a thriving contribution to the industry over a period of years.

Very truly yours,

NATIONAL FLEXITIZED CORPORATOIN
Gene
E. M. JACOBSON

/W